



# Financial Management Report as of September 30, 2011

## AT A GLANCE:

S&P Affirms City of Kirkland's AAA Bond Rating (page 2 sidebar)

2011 revenues are below expectations (page 3)

2011 Sales tax revenue ahead of 2010 (page 5)

Economy remains uncertain (pages 7-8)

## Inside this issue:

Expenditure Summary 2

General Fund Revenue 3

General Fund Expenditures 4

Sales Tax Revenue 5

Economic Environment 7

Investment Report 8

Reserve Summary 10

*The Financial Management Report will be a challenge to interpret in 2011 due to annexation, which will impact expenditures and revenues at different times throughout the year. In particular, the City incurred increasing expenses month-by-month to gear up for annexation, but no revenue from the annexation area was collected until July and the bulk of the revenue will not be received until the fourth quarter. As a result, instead of discussing the comparison of 2011 actual revenues and expenditures to last year; this and next quarter's FMR will compare the 2011 actual results to the 2011 budget.*

## Summary of All Operating Funds: *Revenue*

- **General Fund** actual 2011 revenue is at **64.8 percent of budget** (excluding transfers from Fire District 41 and interfund transfers). The 2011 budget includes revenues projected for the annexation area, most of which are not expected until the last few months of the year. Excluding those large year-end amounts, revenues are at 70.2 percent of budget. A more detailed analysis of General Fund revenue can be found on page 3, and sales tax revenue performance can be found beginning on page 5.
- **Other General Government Funds** actual 2011 revenue is at **59.5 percent of budget**. The Street Operating Fund is expecting a large payment from the County's road tax at the end of 2011. Excluding the road tax from the budget, Other General Government Funds actual 2011 revenue to budget is at 74 percent. Revenues for most Other General Government Funds are within expectations.
- Actual 2011 revenue for the **Water/Sewer Operating Fund** is at **68.4 percent of budget**, water service revenues are under budget 12.8 percent due to lower consumption as a result of the unusually cool/damp summer months.
- **Surface Water Management Fund** actual 2011 revenue is at **46.2 percent of budget**. Surface Water Rates are paid through property taxes, which are primarily received in April and October, revenues are expected to meet or exceed budget by year-end. The second half payments will also include 6 months of revenue from the newly annexed areas.
- **Solid Waste Fund** actual 2011 revenue is at **49.5 percent of budget**, 2011 revenues are expected to come in under budget by more than \$2 million dollars (21.6% of 2011 budget). This difference is offset by the new contract with Waste Management, which resulted in lower costs than assumed in the adopted budget. As part of the mid-biennial budget adjustment process, rate revenues and offsetting expenditures that will not occur in 2011 will be removed from the budget.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	9/30/2010	9/30/2011	% Change	2010	2011	% Change	2010	2011
<b>General Gov't Operating:</b>								
General Fund	37,091,114	44,787,491	20.7%	54,706,544	69,066,718	26.2%	67.8%	64.8%
Other General Gov't Operating Funds	11,311,160	9,863,740	-12.8%	15,798,095	16,572,537	4.9%	71.6%	59.5%
<b>Total General Gov't Operating</b>	<b>48,402,274</b>	<b>54,651,231</b>	<b>12.9%</b>	<b>70,504,639</b>	<b>85,639,255</b>	<b>21.5%</b>	<b>68.7%</b>	<b>63.8%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	13,105,621	13,542,000	3.3%	20,660,066	19,807,418	-4.1%	63.4%	68.4%
Surface Water Management Fund	2,907,955	3,076,673	5.8%	5,270,500	6,657,992	26.3%	55.2%	46.2%
Solid Waste Fund	6,288,617	6,343,436	0.9%	8,627,630	12,810,339	48.5%	72.9%	49.5%
<b>Total Utilities</b>	<b>22,302,193</b>	<b>22,962,109</b>	<b>3.0%</b>	<b>34,558,196</b>	<b>39,275,749</b>	<b>13.7%</b>	<b>64.5%</b>	<b>58.5%</b>
<b>Total All Operating Funds</b>	<b>70,704,467</b>	<b>77,613,340</b>	<b>9.8%</b>	<b>105,062,835</b>	<b>124,915,004</b>	<b>18.9%</b>	<b>67.3%</b>	<b>62.1%</b>

Budgeted and actual revenues exclude resources forward and interfund transfers.



### S&P Affirms City of Kirkland's AAA Bond Rating

Standard & Poor's (S&P) Financial Rating Service affirmed the City's credit rating of AAA and its stable outlook. The rating review was conducted as part of a refunding of selected City bonds to achieve savings for Kirkland taxpayers through lower interest rates. Kirkland was the second U.S. city to have its AAA rating affirmed since the U.S. sovereign debt rating was downgraded to AA+, outlook negative.

The S&P report cited the City's "maintenance of very strong available reserves, strong financial policies and practices, and low debt burden relative to market value" as factors for the high rating. The report further noted that the "stable outlook reflects that the city's strong financial management policies and practices have positioned it well to handle the transition and ongoing costs associated with its service area expansion" due to the annexation of the Juanita-Finn Hill-Kingsgate neighborhoods.

Cities sell municipal bonds for a variety of projects such as public building construction, utilities infrastructure, and park land acquisition. Before municipal bonds are sold, rating agencies "rate" the ability of the local government to repay bond principal and interest. S&P's AAA rating is the highest rating given and represents maximum safety to the investors purchasing bonds.

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## Summary of All Operating Funds: *Expenditures*

- **General Fund** actual expenditures are at **68.5 percent of budget**, 75 percent of the way through the year. Savings are largely due to delays in annexation hiring and position vacancies. A more detailed analysis of General Fund expenditures by department is found on page 4.
- **Other Operating Funds** actual expenditures are at **63 percent of budget** largely due to delays in vehicle purchases from extending the planned replacement cycle by another year for many vehicles and savings in computer hardware. Vehicle and computer hardware costs vary year-to-year depending on the planned replacement cycle. Other Operating funds have also seen some savings in personnel costs due to position vacancies.
- **Water/Sewer Operating Fund** actual expenditures are at **76.1 percent of budget** mainly due to higher water costs. The City pays Cascade Water Alliance (CWA) a set rate for water each month based on average demands over three years (currently 2007-2009). The City will begin to see the impact of reduced usage in 2010 and 2011 in next year's calculation. Regional water connection charges (RCFCs) are coming in more than double the budget of \$150,000, due to more connections than expected (which is offset by RCFC revenues). \$90,000 of the RCFC expenditures in 2011 are from 2010 expenditure accruals. 2011 expenditures would be at 75.6 percent of budget excluding the accrued expense of \$90,000.
- **Surface Water Management Fund** actual expenditures are at **54.4 percent of budget** due to delays in hiring annexation positions resulting in significant personnel savings. In addition, the current Surface Water work plan is being reevaluated resulting in savings in professional services.
- **Solid Waste Fund** actual expenditures are at **50.5 percent of budget** due to significant savings in professional services. The 2011 budget assumed a 20-30% Waste Management contract increase and the budget will be adjusted for final contract results at the mid-biennium. In addition, there are savings in personnel costs due to delays in hiring annexation positions.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	9/30/2010	9/30/2011	% Change	2010	2011	% Change	2010	2011
<b>General Gov't Operating:</b>								
General Fund	42,382,771	46,364,220	9.4%	58,149,798	67,648,236	16.3%	72.9%	68.5%
Other General Gov't Operating Funds	9,531,423	10,702,383	12.3%	13,326,213	17,000,726	27.6%	71.5%	63.0%
<b>Total General Gov't Operating</b>	<b>51,914,193</b>	<b>57,066,603</b>	<b>9.9%</b>	<b>71,476,011</b>	<b>84,648,962</b>	<b>18.4%</b>	<b>72.6%</b>	<b>67.4%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	11,119,283	12,539,444	12.8%	15,903,927	16,472,950	3.6%	69.9%	76.1%
Surface Water Management Fund	2,393,963	2,519,643	5.2%	3,387,458	4,627,817	36.6%	70.7%	54.4%
Solid Waste Fund	6,142,062	6,285,499	2.3%	8,596,408	12,447,017	44.8%	71.4%	50.5%
<b>Total Utilities</b>	<b>19,655,308</b>	<b>21,344,586</b>	<b>8.6%</b>	<b>27,887,793</b>	<b>33,547,784</b>	<b>20.3%</b>	<b>70.5%</b>	<b>63.6%</b>
<b>Total All Operating Funds</b>	<b>71,569,502</b>	<b>78,411,189</b>	<b>9.6%</b>	<b>99,363,804</b>	<b>118,196,746</b>	<b>19.0%</b>	<b>72.0%</b>	<b>66.3%</b>

Budgeted and actual expenditures exclude working capital, operating reserves, capital reserves, and interfund transfers.

## General Fund Revenue

Many significant General Fund revenue sources are economically sensitive, such as sales tax and development-related fees.

- **Sales tax** revenue allocated to the General Fund for 2011 is meeting budget expectations at **74.5 percent**. A detailed analysis of total **sales tax** revenue compared to 2010 can be found starting on page 5.
- **Utility tax** receipts, including projected annexation area revenues, through the third quarter are below budget expectations at **67.6 percent** or \$920,310. The largest shortfall is in telecommunication utility tax revenues, which are short approximately 20 percent. The shortfall is partially offset by higher gas utility taxes due to the unusually cool spring/summer weather.
- **Other taxes** actual revenue has exceeded budget by **16.8 percent** due to gambling revenue from the newly annexed area.
- The **business licenses (base fee) and franchise fees** actual revenue is at **57.2 percent of budget** due to franchise fees coming in under budget due to timing of franchise payments. Business license base fee revenue has exceeded budget.
- The **revenue generating regulatory license** fee is at **80.7 percent of budget**, revenues are ahead of budget expectations partially due to annexation, which required businesses in the new neighborhoods to register and pay Kirkland Business License fees effective June 1, 2011.
- The **development-related fee** revenues, are collectively meeting budget expectations and are at **75.85 percent of budget**. **Building permits** and **plan check revenue** are collectively at **59.71 percent of budget** and **engineering services** revenue is **153.8 percent of budget** due to receipt of large school permit revenues. A portion of these revenues will be set aside for work that will occur in future years. **Planning fees** revenue is at **99.3 percent of budget** primarily due to major Process IIB permit revenues being received.
- **Fines and Forfeitures** lag budget expectations at **54.4 percent** primarily because of lower than expected parking infraction penalty revenues. This is offset in part by salary savings due to a parking enforcement officer vacancy. Also, revenues from the new neighborhoods are only beginning to be reflected in the actuals.
- **Other financing sources** includes the transfer of FD 41 balances due to the assumption of the District as a result of annexation, most of which is set aside for the station consolidation project. The Interfund Transfers budget is significantly lower than 2010 due to fund restructuring, including, combining of the recreation fund with the General Fund. The budgeted transfers to the General Fund will occur at year-end.

General Fund 2011 revenues are trailing the budget at 65.4 percent, 75 percent through the year. Several revenues are not expected until the fourth quarter including: a significant portion of the revenues from the newly annexed areas, property taxes and inter-governmental revenue.

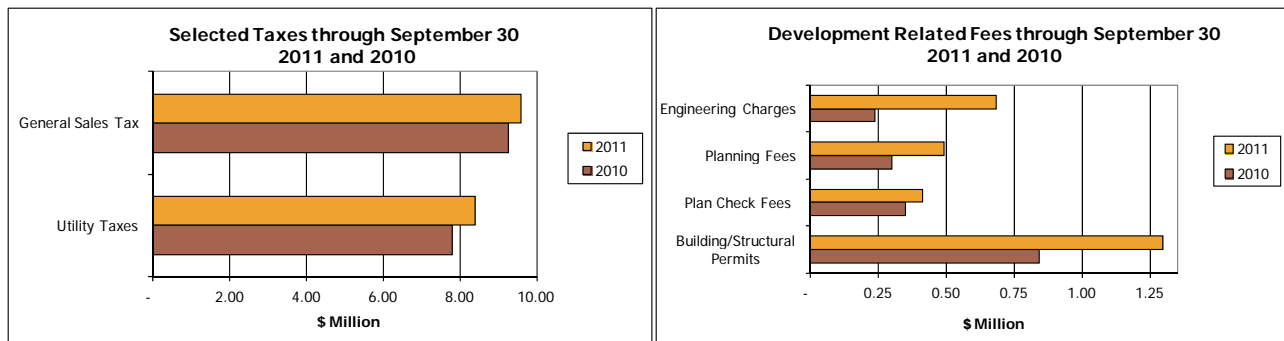
The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

In 2011, about 412 of the City's 521 regular employees are budgeted within this fund.

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	9/30/2010	9/30/2011	% Change	2010	2011	% Change	2010	2011
<b>Taxes:</b>								
Retail Sales Tax: General	9,266,964	9,598,833	3.6%	11,464,179	12,885,899	12.4%	80.8%	74.5%
Retail Sales Tax Credit: Annexation	-	266,026	N/A	-	1,129,866	N/A	N/A	23.5%
Retail Sales Tax: Criminal Justice	704,089	742,283	5.4%	1,129,140	1,149,997	1.8%	62.4%	64.5%
Property Tax	5,400,369	7,313,871	35.4%	9,904,815	13,261,709	33.9%	54.5%	55.2%
Utility Taxes	7,801,302	8,407,212	7.8%	10,965,526	12,436,696	13.4%	71.1%	67.6%
Rev Generating Regulatory License	1,631,331	1,941,312	19.0%	2,567,468	2,406,234	-6.3%	63.5%	80.7%
Other Taxes	256,772	364,833	42.1%	466,129	312,250	-33.0%	55.1%	116.8%
<b>Total Taxes</b>	<b>25,060,827</b>	<b>28,634,370</b>	<b>14.3%</b>	<b>36,497,257</b>	<b>43,582,651</b>	<b>19.4%</b>	<b>68.7%</b>	<b>65.7%</b>
<b>Licenses &amp; Permits:</b>								
Building, Structural & Equipment Permits	839,616	1,297,159	54.5%	1,436,990	1,748,605	21.7%	58.4%	74.2%
Business Licenses/Franchise Fees	1,362,491	1,687,931	23.9%	1,720,921	2,952,114	71.5%	79.2%	57.2%
Other Licenses & Permits	156,998	189,551	20.7%	175,460	217,579	24.0%	89.5%	87.1%
<b>Total Licenses &amp; Permits</b>	<b>2,359,105</b>	<b>3,174,641</b>	<b>34.6%</b>	<b>3,333,371</b>	<b>4,918,298</b>	<b>47.5%</b>	<b>70.8%</b>	<b>64.5%</b>
<b>Intergovernmental:</b>								
Grants and Federal Entitlements	347,587	660,733	90.1%	503,699	963,652	91.3%	69.0%	68.6%
State Shared Revenues & Entitlements	639,337	582,527	-8.9%	809,010	947,385	17.1%	79.0%	61.5%
Fire District #41	1,760,590	1,586,765	N/A	3,598,238	3,682,299	N/A	48.9%	43.1%
EMS	-	420,073	N/A	866,231	868,678	N/A	N/A	48.4%
Other Intergovernmental Services	409,117	211,130	-48.4%	547,394	529,004	-3.4%	74.7%	39.9%
<b>Total Intergovernmental</b>	<b>3,156,631</b>	<b>3,461,228</b>	<b>9.6%</b>	<b>6,324,572</b>	<b>6,991,018</b>	<b>10.5%</b>	<b>49.9%</b>	<b>49.5%</b>
<b>Charges for Services:</b>								
Internal Charges	3,746,073	4,008,314	7.0%	4,707,822	5,589,009	18.7%	79.6%	71.7%
Engineering Services	237,989	682,569	186.8%	225,000	443,669	97.2%	105.8%	153.8%
Plan Check Fee	350,587	413,193	17.9%	408,252	1,115,779	173.3%	85.9%	37.0%
Planning Fees	300,369	491,789	63.7%	245,420	495,044	101.7%	122.4%	99.3%
Recreation	-	977,211	N/A	-	1,162,406	N/A	N/A	84.1%
Other Charges for Services	614,761	1,046,627	70.2%	770,890	1,709,373	121.7%	79.7%	61.2%
<b>Total Charges for Services</b>	<b>5,249,779</b>	<b>7,619,703</b>	<b>45.1%</b>	<b>6,357,384</b>	<b>10,515,280</b>	<b>65.4%</b>	<b>82.6%</b>	<b>72.5%</b>
<b>Fines &amp; Forfeits</b>	<b>1,124,185</b>	<b>1,326,004</b>	<b>18.0%</b>	<b>1,539,268</b>	<b>2,435,490</b>	<b>58.2%</b>	<b>73.0%</b>	<b>54.4%</b>
<b>Miscellaneous</b>	<b>140,587</b>	<b>571,545</b>	<b>306.5%</b>	<b>654,692</b>	<b>623,981</b>	<b>-4.7%</b>	<b>21.5%</b>	<b>91.6%</b>
<b>Total Revenues</b>	<b>37,091,114</b>	<b>44,787,491</b>	<b>20.7%</b>	<b>54,706,544</b>	<b>69,066,718</b>	<b>26.2%</b>	<b>67.8%</b>	<b>64.8%</b>
<b>Other Financing Sources:</b>								
Transfer of FD 41 Balances	-	1,724,497	N/A	-	1,724,497	N/A	N/A	100.0%
Interfund Transfers	1,917,159	-	N/A	2,275,530	275,028	N/A	84.3%	N/A
<b>Total Other Financing Sources</b>	<b>1,917,159</b>	<b>1,724,497</b>	<b>N/A</b>	<b>2,275,530</b>	<b>1,999,525</b>	<b>N/A</b>	<b>84.3%</b>	<b>86.2%</b>
<b>Total Resources</b>	<b>39,008,273</b>	<b>46,511,988</b>	<b>19.2%</b>	<b>56,982,074</b>	<b>71,066,243</b>	<b>24.7%</b>	<b>68.5%</b>	<b>65.4%</b>

Budgeted and actual revenues exclude resources forward.

## General Fund Revenue *continued*



## General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	9/30/2010	9/30/2011	% Change	2010	2011	% Change	2010	2011
Non-Departmental	878,734	639,003	-27.3%	1,525,820	1,625,600	6.5%	57.6%	39.3%
City Council	284,693	250,173	-12.1%	353,130	317,640	-10.1%	80.6%	78.8%
City Manager's Office	2,172,941	2,470,115	13.7%	3,115,861	3,543,120	13.7%	69.7%	69.7%
Human Resources	759,065	943,030	24.2%	1,124,972	1,209,084	7.5%	67.5%	78.0%
City Attorney's Office	728,571	802,816	10.2%	984,121	1,159,772	17.8%	74.0%	69.2%
Parks & Community Services	4,953,240	4,935,180	-0.4%	6,722,519	7,160,179	6.5%	73.7%	68.9%
Public Works (Engineering)	2,357,623	2,454,656	4.1%	3,340,832	3,737,560	11.9%	70.6%	65.7%
Finance and Administration	2,610,522	2,880,545	10.3%	3,743,652	4,089,574	9.2%	69.7%	70.4%
Planning & Community Development	1,963,312	2,134,153	8.7%	2,730,557	2,923,161	7.1%	71.9%	73.0%
Police	12,482,412	14,541,407	16.5%	17,188,807	22,103,846	28.6%	72.6%	65.8%
Fire & Building	13,191,659	14,313,142	8.5%	17,319,527	19,778,700	14.2%	76.2%	72.4%
<b>Total Expenditures</b>	<b>42,382,771</b>	<b>46,364,220</b>	<b>9.4%</b>	<b>58,149,798</b>	<b>67,648,236</b>	<b>16.3%</b>	<b>72.9%</b>	<b>68.5%</b>
<b>Other Financing Uses:</b>								
Interfund Transfers	455,906	2,077,096	355.6%	1,024,920	3,855,516	276.2%	44.5%	53.9%
<b>Total Other Financing Uses</b>	<b>455,906</b>	<b>2,077,096</b>	<b>355.6%</b>	<b>1,024,920</b>	<b>3,855,516</b>	<b>276.2%</b>	<b>44.5%</b>	<b>53.9%</b>
<b>Total Expenditures &amp; Other Uses</b>	<b>42,838,677</b>	<b>48,441,315</b>	<b>13.1%</b>	<b>59,174,718</b>	<b>71,503,752</b>	<b>20.8%</b>	<b>72.4%</b>	<b>67.7%</b>

Budgeted and actual expenditures exclude working capital, operating reserves, and capital reserves.

The 2011 Budget incorporates budget reductions in response to the economic downturn, additions as a result of annexation, the move to medical self-insurance, the restoration of 3.4 percent salary and benefit reductions taken in 2010, and fund restructuring to comply with accounting rule changes. These changes make comparisons to the 2010 budget challenging, therefore, expenditures will only be compared to the 2011 budget. The actual expenditures summarized below reflect nine months of data, which represents 75 percent of the calendar year.

### Comparing 2011 actual expenditures to the 2011 budget:

- 2011 **Non-Departmental** expenditures are at **39.3 percent of budget**, primarily due to Fire and Police LEOFF 1 medical insurance premiums, which will be at budget by year-end. In addition, fire hydrant charges, 14.6 percent of the budget, will not occur until December.
- Actual 2011 expenditures for the **City Council** are at **78.8 percent of budget**. 27 percent of the expenses in the City Council budget is dues and memberships, which are paid during the first quarter of the year. City Council expenses are expected to be equal to or under budget at year-end.
- The **City Manager's Office** actuals are at **69.7 percent of budget** due to savings in personnel costs and professional services.
- Actual 2011 expenditures for **Human Resources** are at **78 percent of budget** due to an increase in professional services related to contracting for an interim Human Resources Director. A budget adjustment is expected to recognize this increased cost.
- The **City Attorney's Office** expenditures are **69.2 percent of budget** due to savings in legal fees.

2011 General Fund actual expenditures are 67.7 percent of budget, primarily due to delayed annexation hiring and position vacancies in multiple departments and savings in jail costs.

(Continued on page 5)

## Financial Management Report as of September 30, 2011

- Actual 2011 expenditures for the **Parks & Community Services Department** are at **68.9 percent of budget** due to unfilled positions and human services contract payments, which will occur later in the year.
- Actual expenditures for the **Public Works Department** are at **65.7 percent of budget**, expenditures are coming in under budget due to savings from vacant positions and professional services.
- The **Finance and Administration Department** expenditures are **70.4 percent of budget** due to personnel savings mainly from the reclassification of positions and corresponding benefit costs.
- Actual 2011 expenditures for the **Planning and Community Development Department** are at **73 percent of budget** and on track with budget expectations.
- Actual 2011 expenditures for the **Police Department** are at **65.8 percent of budget** due to savings from delayed annexation staffing (and related expenses) along with position vacancies. In addition, jail costs are coming in under budget due to contracts with other agencies for lower rates than those charged by King County and an increase in the use of electronic home detention and other sentencing measures besides jail time.
- Actual 2011 expenditures for the **Fire & Building Department** are at **72.4 percent of budget** due to savings being achieved in fire suppression overtime and delayed hiring of annexation positions in the Building Division. A summary of the funds received from the assumption of Fire District 41 on June 1 appears to the right.

### Summary of Fire District 41 Funds: Revenues & Expenditures

	Capital	General Government
<b>Revenues:</b>		
Beginning Balance	4,000,000	1,724,497
Fire District Revenues	-	-
Interest and Other Revenues	2,126	4,198
<b>Total Revenues</b>	<b>4,002,126</b>	<b>1,728,695</b>
<b>Expenditures:</b>		
Operating Costs (per ILA)	-	61,459
Fire District 2011 Contract	-	-
Station Consolidation Project	24,324	-
<b>Total Expenditures</b>	<b>24,324</b>	<b>61,459</b>
<b>Ending Balance</b>	<b>3,977,802</b>	<b>1,667,236</b>

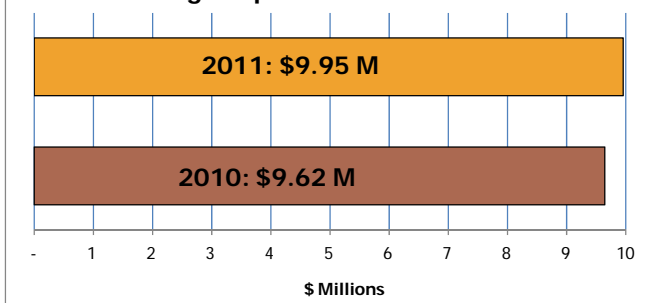
### Sales Tax Revenue Analysis 2011

sales tax revenue through September is **up 3.5 percent** compared to the same period last year. The primary reasons are improvements to the retail sectors (up 4.8 percent collectively over the same period last year) largely driven by auto/gas retail, general merchandise/ miscellaneous retail, eating/drinking and the miscellaneous categories. Declines in the contracting, wholesale sectors offset gains in other sectors in the first half of 2011. Normalizing for a one-time payment related to the State's amnesty program, the increase drops to 1.8 percent.

#### Review by business sectors:

- The **general merchandise/miscellaneous retail** sector is **up 3.2 percent** compared to the same period last year, despite negative performance in September.
- The **auto/gas retail** sector is **up 7.2 percent** compared to last year. This category tops the retail sector with the largest dollar increase year to date.
- The **retail eating/drinking** sector performance is **up 4.5 percent** compared to last year. While this is a small increase, it is an improvement from the consistently negative performance this sector experienced last year.
- Other retail** is **up 2.1 percent** compared to last year, primarily due to positive performance in the food and beverage, electronics and furniture categories.
- The **miscellaneous** sector is **up 20.0 percent** compared to last year, due to the one-time amnesty program revenue and a distribution of pooled sales tax revenue related to some large audits. Factoring out one-time revenues received this year, this category would be down 5.6 percent.
- The **communications** sector is **up 8.2 percent** compared to last year due to the significant development related activity from telecommunications companies earlier this year.
- The **services** sector is **up 4.3 percent** compared to last year, largely due to positive performance in the accommodation, internet and professional scientific categories and despite negative performance in the healthcare category. The accommodations category is up 3.6 percent or about \$6,700.
- The **contracting** sector is **down 6.4 percent** compared to last year due to the completion of several large projects (e.g. Lake Washington High School and Kirkland Transit Center) that generated significant revenues last year and various commercial tenant improvements.
- Wholesale** is **down 9.6 percent** compared to last year, largely due to continued declines in the durable goods category.

### Sales Tax Receipts through September 2011 and 2010



### Streamlined Sales Tax

Washington State implemented new local coding sales tax rules as of July 1, 2008 as a result of joining the national Streamlined Sales Tax Agreement. Negative impacts from this change are mitigated by the State of Washington. The first three quarterly payments in 2011 total a little more than \$78,000 and were received in March, June and September.

### Neighboring Cities

Bellevue and Redmond 2011 sales tax revenue through September is up 7.3 percent and 45.3 percent respectively compared to the same period in 2010. Redmond is much higher due to \$4.6 million in field recoveries received in February and March. Excluding field recoveries Redmond is up 10.3 percent.

## City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-September		Dollar Change	Percent Change	Percent of Total	
	2010	2011			2010	2011
Services	1,206,040	1,257,831	51,791	4.3%	12.5%	12.6%
Contracting	1,299,043	1,216,425	(82,618)	-6.4%	13.5%	12.2%
Communications	334,962	362,534	27,572	8.2%	3.5%	3.6%
Auto/Gas Retail	2,238,402	2,400,261	161,859	7.2%	23.3%	24.1%
Gen Merch/Misc Retail	1,332,276	1,375,315	43,039	3.2%	13.8%	13.8%
Retail Eating/Drinking	803,089	839,440	36,351	4.5%	8.3%	8.4%
Other Retail	1,215,467	1,240,918	25,451	2.1%	12.6%	12.5%
Wholesale	571,972	516,818	(55,154)	-9.6%	5.9%	5.2%
Miscellaneous	618,184	741,798	123,614	20.0%	6.4%	7.5%
<b>Total</b>	<b>9,619,435</b>	<b>9,951,340</b>	<b>331,905</b>	<b>3.5%</b>	<b>100.0%</b>	<b>100.0%</b>

*Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to NAICS, or "North American Industry Classification System"). Nine business sector groupings are used to compare 2010 and 2011 year-to-date sales tax receipts in the table to the left.*

### City of Kirkland Actual Monthly Sales Tax Receipts

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2010	2011		
January	945,992	1,082,225	136,233	14.4%
February	1,364,023	1,366,850	2,827	0.2%
March	937,460	942,887	5,427	0.6%
April	953,914	899,425	(54,489)	-5.7%
May	1,094,845	1,154,252	59,407	5.4%
June	1,009,111	1,046,570	37,459	3.7%
July	1,035,279	1,133,191	97,912	9.5%
August	1,136,223	1,181,633	45,410	4.0%
September	1,142,588	1,144,307	1,719	0.2%
<b>Total</b>	<b>9,619,435</b>	<b>9,951,340</b>	<b>331,905</b>	<b>3.5%</b>

*When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City. For example, sales tax received by the City in September is for sales activity in July. Monthly sales tax receipts through September 2010 and 2011 are compared in the table above.*

- Monthly revenue performance in 2011 has maintained the improvements seen in 2010 after the mostly double digit declines experienced throughout 2009.
- January 2011 was substantially ahead of January 2010. However, a substantial portion of the gain was one-time. Field recoveries and large one-time receipts accounted for almost half of the gain. The increase was 7.8 percent after factoring out these one-time events.
- Receipts for April are skewed by a large field recovery received in April 2010. Excluding the field recovery would result in April 2011 being down 2.3 percent.
- May, June and July are skewed due to one-time amnesty revenues. Excluding these revenues would result in May being down 1.0 and June and July being up 0.4 and 7.6 percent respectively.
- August is skewed by a one-time distribution resulting from certain audits being completed. Excluding this distribution would result in August being up 0.8 percent.
- 2011 sales tax revenue was budgeted to remain the same as 2010, excluding the annexation area, so positive performance is a net gain to offset volatility that may be experienced later this year in this revenue source or in other revenue sources.

*Kirkland's sales tax base is further broken down by business district (according to geographic area), as well as "unassigned or no district" for small businesses and businesses with no physical presence in Kirkland.*

### Comparing to the same period last year:

**Totem Lake**, which accounts for about 30 percent of the total sales tax receipts, is **up 1.4 percent** primarily due to positive performance in the automotive/gas retail sales. About 58

percent of this business district's revenue comes from the auto/gas retail sector.

**NE 85<sup>th</sup> Street**, which accounts for over 15 percent of the total sales tax receipts, is **up 1.4 percent** primarily due to automotive/gas retail sales. This sector contributes almost 38 percent of this business district's revenue.

**Downtown**, which accounts for over 6 percent of the total sales tax receipts, is **down 5.6 percent** due to poor performance in the retail eating/drinking sector and finance/real estate sector. The retail eating/drinking sector, accommodations and other retail provide almost 70 percent of this business district's revenue.

**Carillon Point & Yarrow Bay**, which account for about 4 percent of the total sales tax receipts, are **up 48.0 percent** compared to last year primarily due to communications, other retail and the accommodations sectors, and despite poor performance in the retail eating/drinking sector. About 54 percent of this business district's revenue comes from business services, retail eating/drinking and accommodations.

**Houghton & Bridle Trails**, which account for about 2 percent of the total sales tax receipts, are **up 8.4 percent** collectively almost entirely due to retail food stores, primarily due to a new retail business that opened in May 2010. The retail sectors provide about 73 percent of these business districts' revenue.

**Juanita**, which accounts for about 2 percent of the total sales tax receipts, is **down 8.3 percent** primarily due to retail eating/drinking, retail auto/gas and business services. These sectors, along with miscellaneous retail, provide almost 73 percent of this business district's revenue.

*Year-to-date sales tax receipts by business district for 2010 and 2011 are compared in the table on the next page.*

When reviewing sales tax receipts by business district, it's important to point out that over 40 percent of the revenue received in 2011 is in the "unassigned or no district" category largely due to contracting and other revenue, which includes revenue from Internet, catalog sales and other businesses located outside of the City.

City of Kirkland Sales Tax by Business District

Business District	Jan-Sep Receipts		Dollar Change	Percent Change	Percent of Total	
	2010	2011			2010	2011
Totem Lake	2,938,701	2,980,200	41,499	1.4%	30.5%	29.9%
NE 85th St	1,531,420	1,553,135	21,715	1.4%	15.9%	15.6%
Downtown	675,660	638,059	(37,601)	-5.6%	7.0%	6.4%
Carillon Pt/Yarrow Bay	236,996	350,812	113,816	48.0%	2.5%	3.5%
Houghton & Bridle Trails	230,010	249,328	19,318	8.4%	2.4%	2.5%
Juanita	204,201	187,198	(17,003)	-8.3%	2.1%	1.9%
Unassigned or No District:						
Contracting	1,298,997	1,216,026	(82,971)	-6.4%	13.5%	12.2%
Other	2,503,450	2,776,582	273,132	10.9%	28.2%	29.9%
<b>Total</b>	<b>9,619,435</b>	<b>9,951,340</b>	<b>331,905</b>	<b>3.5%</b>	<b>100.0%</b>	<b>100.0%</b>

**Sales Tax Revenue Outlook** Sales tax receipts has been mostly positive for 2011 compared to 2010, as illustrated in the monthly chart on the previous page and is in line with budget expectations. One-time field recoveries have supplemented the increase by 1.7 percent. Upside trends pose potential risks—the services, general merchandise/miscellaneous retail, automotive/gas retail and miscellaneous sectors has contributed the largest amount of gain, but these sectors are very sensitive to economic conditions. Communications saw a significant increase in February, which has offset declines in all other months through September. Contracting, and wholesale have not shown signs of recovery. The impact from streamlined sales tax sourcing rule changes has negatively impacted some sectors, but is offset by gains in others. The shaky economic recovery poses significant risk to the City's ability to maintain services, since sales tax is one of the primary sources of general fund revenue. Changes in revenue structure over the last few years have provided some balance to offset the volatility inherent in sales tax.

**OFFICE VACANCIES:**

Note: Vacancy rate data for the third quarter has not yet been released by CBRE. A snapshot from the second quarter is below:

According to CB Richard Ellis Real Estate Services, the Eastside vacancy rate was 16.0 percent for the second quarter of 2011 compared to 19.0 percent for the second quarter of 2010. Kirkland's 2011 vacancy rate is 11.5 percent, significantly lower than the 2010 rate of 28.9 percent.

The Puget Sound regional market recovery appears to continue with 582,791 square feet of positive absorption during the second quarter, with 86 percent occurring on the Eastside. This is the fifth straight quarter of positive absorption. Positive absorption occurs when the total amount of available office space decreases during a set period.

**LODGING TAX REVENUE:**

Lodging tax 2011 revenue is at 77.4 percent of budget and 9.2 percent more than 2010.

**Economic Environment Update** Washington State's economy is performing close to expectations, but is not immune to uncertainty in the global economy. If the national economy falters, so too shall Washington according to the latest update from the Washington State Economic and Revenue Forecast Council. Employment rose slightly from June to August with 8,300 net new jobs in Washington mostly in the private sector. Even with some gains in employment the state is down more than 140,000 jobs from the start of the recession. Washington's economic outlook also recognized the slowdown that had occurred in the spring and summer, and economists thought that the slowdown was due largely to temporary factors which would begin to be resolved in the fall. However, lack of progress in the European debt crisis, continued uncertainty with U.S. fiscal policies, and slow job growth have caused the outlook to switch to a more prolonged period of slow growth. Governor Christine Gregoire has called a 30 day special legislative session starting November 28 to deal with the projected state budget shortfall of \$1.4 billion in the 2011-13 biennium, which started July 1st. *The side bar on page 9 presents information on the national forecast based on a survey done by the Federal Reserve Bank of Philadelphia.*

The U.S. **consumer confidence index**, which had declined sharply in August, remained essentially unchanged in September. The Index now stands at **45.4** up slightly from 45.2 in August. Bart van Ark, Chief Economist for The Conference Board, said "the risk of recession in the U.S. has increased to almost 50%, due primarily to the sharp deterioration in consumer confidence and the steep downward adjustment in the equity market. We have lowered our forecast for U.S. GDP growth to 0.6% for the final quarter of the year, which will roll up into a 1.5% growth estimate for 2011 relative to 2010. While we currently do not forecast a recession, with an economy this weak, it does not take a lot to tip us into a recession. However, the weak labor market, soft consumer spending, and still struggling housing market will continue to be major headwinds facing the U.S. economy as we end this year and head into next year." An index of 90 indicates a stable economy and one at or above 100 indicates growth.

(Continued on page 8)

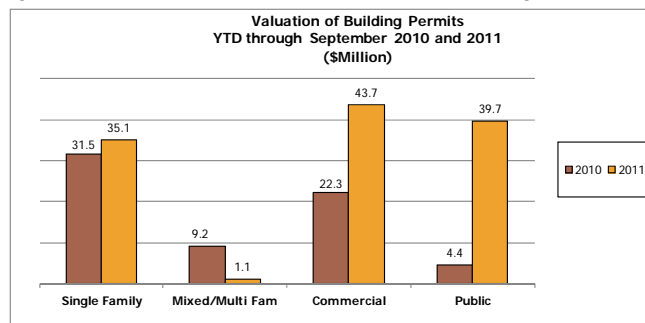
## Economic Environment Update *continued*

Page 8

Seattle-Bellevue-Everett Metropolitan Division **unemployment rate** was **8.3 percent** in September 2011 compared to 9.1 percent in September 2010. While remaining high compared to a few years ago, Seattle-Bellevue-Everett Metropolitan Division is slightly lower than the Washington State and national rates, which were 8.5 and 9.1 percent, and is lower than the past two years.

The Institute for Supply Management-**Western Washington Index** saw an increase in September at 61.3, up from 56.5 in August. The national survey index increased to 51.6 in September from 50.6 in August. Both indices are similar to those seen throughout 2010. An index reading greater than 50 indicates a growing economy, while scores below 50 suggest a shrinking economy.

Local **development activity** through September comparing 2010 to 2011 as measured by the valuation of City of Kirkland building permits is illustrated in the chart to the right. Activity has improved in the single family, commercial and public sectors. However, activity in the mixed use/multifamily sectors has been slow in 2011. Through September 2011, building permit valuation was up 77.1 percent compared to September 2010. This increase is largely due to Lake Washington School District permits for school remodels.



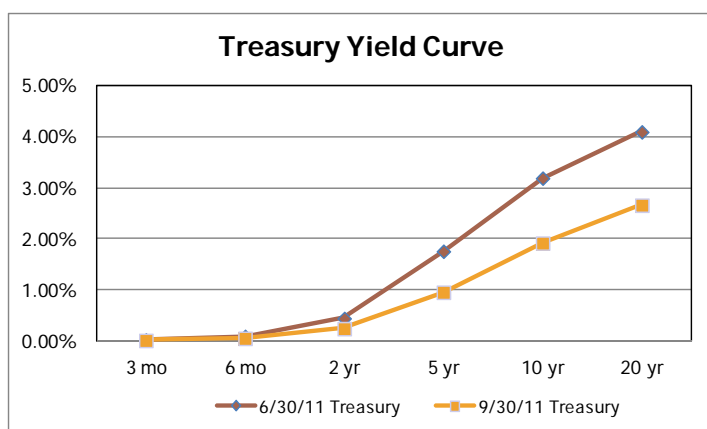
Closed sales of **new and existing single-family homes** on the East-side were up 34.1 percent in September 2011 compared to September 2010. The median price of a single family home decreased 4.3 percent (510,000 compared to \$533,000). Closed sales for condominiums were up 70.9 percent and the median price dropped 10 percent (to \$224,995 from \$250,000). Countywide, closed sales increased 37 percent compared to September 2010. Whereas, the countywide median home price fell almost eight percent year-over-year.

**Seattle metro consumer price index (CPI)** in August was at 3.2 percent, lower than the June CPI of 3.7 percent. The Seattle index is calculated on a bi-monthly basis. The national index increased to 4.4 percent in September and since December 2010 it has increased by 2.7 percent. This increase was impacted largely by higher prices for energy, including gasoline and food. The CPI in Seattle and nationally are the highest since October 2008. Employees received no cost of living adjustment in 2010 or 2011, due to negative CPI's. The City has four of six bargaining agreements ending December 31, 2011. CPI is used to identify periods of inflation or deflation.

## Investment Report

### MARKET OVERVIEW

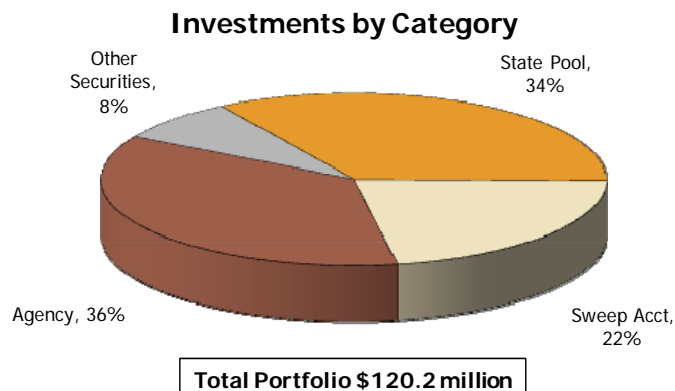
The Fed Funds rate continued to remain at 0.25 percent through the third quarter of 2011 and is now not expected to change until the second quarter of 2013. The economy continues to struggle. The yield curve dropped significantly in the longer end of the curve reaching record low rates for the 5 and 10 year Treasuries.



### CITY PORTFOLIO

The primary objectives for the City of Kirkland's investment activities are: legality, safety, liquidity and yield. Additionally, the City diversifies its investments according to established maximum allowable exposure limits so that reliance on any one issuer will not place an undue financial burden on the City.

The City's portfolio decreased in the third quarter of 2011 to \$120.2 million compared to \$128.8 million on June 30, 2011. The decrease in the portfolio is related to the normal cash flows of the third quarter, as the first half of property taxes is received in the second quarter.



### Diversification

The City's current investment portfolio is composed of Government Sponsored Enterprises (GSEs) bonds, State and Local Government bonds, the State Investment Pool and an overnight bank sweep account. City investment procedures allow for 100% of the portfolio to be invested in U.S. Treasury or Federal Government obligations.

## 2011 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The outlook for growth in the U.S. economy continues to look slower than it did just three months ago, according to 37 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 1.7 percent in 2011 down from their prediction of 2.7 percent in the last survey. CPI inflation expectations have increased to average 3.2 percent in 2011 and 2.0 percent in 2012. The unemployment rate is expected to average 9 percent in 2011 and fall to 8.6 percent in 2012. The Fed Funds rate, currently at 0.25 percent, is expected to remain at this level through mid 2013.

The duration of the portfolio will decrease as securities mature and are called. Opportunities for increasing portfolio returns are scarce as shorter term interest rates continue at historically low levels. New security purchases will be made as opportunities to obtain moderate returns become available. During periods of low interest rates the portfolio duration should be shorter with greater liquidity so that the City is in a position to be able to purchase securities with higher returns when interest rates begin to rise. The State Pool is currently at 0.14 percent and will continue to remain low as the Fed Funds rate remains at 0.00 to 0.25 percent. Total estimated investment income for 2011 is \$1,300,000.

## Investment Report *continued*

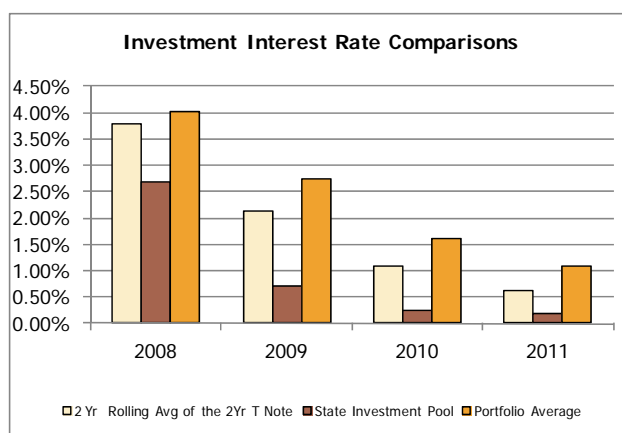
### Liquidity

The City of Kirkland Investment Policy, Section 13, states that the maximum weighted average maturity (WAM) of the total portfolio shall not exceed 3 years. This maximum is established to limit the portfolio to excessive market exposure. The average maturity of the City's investment portfolio decreased from 1.81 years on June 30, 2011 to 1.41 years on September 30, 2011 due to longer term securities being called. It is expected that securities will continue to be called on their call dates as interest rates are expected to remain at record lows through 2012.

Benchmark Comparison	June 30, 2011	September 30, 2011
City Yield to Maturity (YTM)	1.21%	1.02%
City Average YTM	1.06%	1.09%
City Year to Date Cash Yield	0.97%	1.00%
90 Day Treasury Bill	0.03%	0.02%
2 yr Rolling Avg 2 yr T Note	0.72%	0.62%

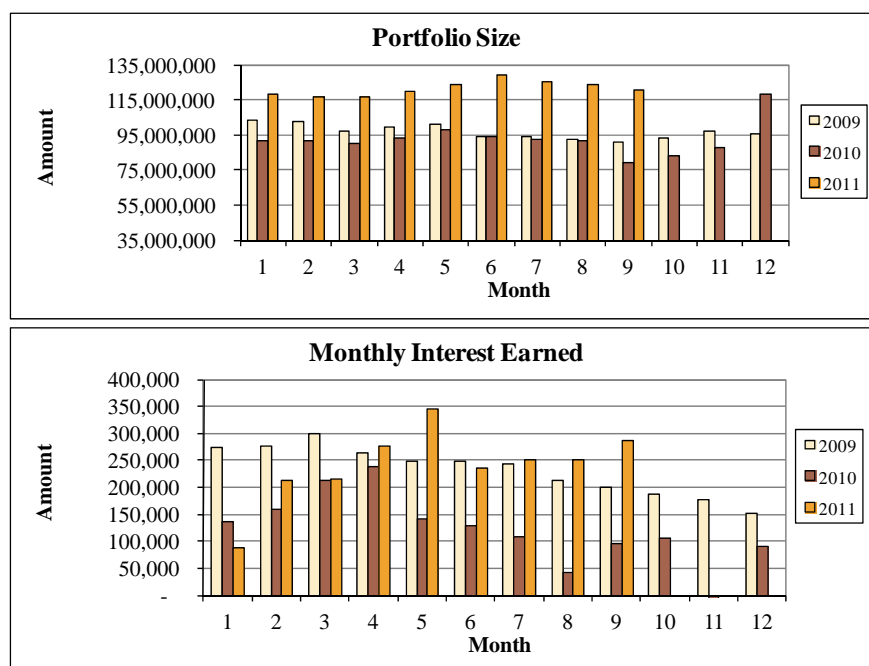
### Yield

The City Portfolio yield to maturity decreased from 1.21 percent on June 30, 2011 to 1.02 percent on September 30, 2011. The City's portfolio benchmark is the range between the 90 day Treasury Bill and the 2 year rolling average of the 2 year Treasury Note. This benchmark is used as it is reflective of the maturity guidelines required in the Investment Policy adopted by City Council. The City's portfolio outperformed both the 90 day T Bill and the 2 year rolling average of the 2 year Treasury Note, which was 0.62 percent on September 30, 2011.



The City's practice of investing further out on the yield curve than the State Investment Pool results in earnings higher than the State Pool during declining interest rates and lower earnings than the State Pool during periods of rising interest rates. This can be seen in the above graph.

The charts below compare the monthly portfolio size and interest earnings for 2009 through September 2011.



**Reserves** are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. The reserves are listed with their revised estimated balances at the end of the biennium as of September 30, 2011.

## Reserve Analysis

### General Purpose Reserves

- The **Revenue Stabilization Reserve** was used almost in its entirety during the 2009-10 biennium as part of the budget balancing strategy to address the severe economic downturn and allowed the City to mitigate some negative impacts to services. General Fund 2010 year-end cash was used to replenish this reserve in the amount of \$600,000 in 2011 and an additional \$500,000 replenishment is planned as part of the Mid-Biennial budget process. Further replenishment will remain a high priority.
- The **Building and Property Reserve** has been identified as an available funding source for facility expansion and renovation projects, which include the new Public Safety Building, Maintenance Center, and City Hall.

### General Capital Reserves

- The downturn in real estate transactions over the last few years has significantly impacted **Real Estate Excise Tax (REET)** collections resulting in adjustments to capital project planning to reflect available funding. Revenue is 15.7 percent ahead of the same period last year and has exceeded budget. However, it is less than half of the revenue received in 2007.
- **Impact fees** have also been significantly reduced as a result of the severe downturn in development activity, resulting in adjustments to capital projects plans. 2011 revenue is 80 percent ahead of the same period in 2010 with increases in both transportation and park impact fees. However, transportation fees are only at 29 percent of the budget at the end of the third quarter and are not likely to improve by year-end. There is no planned use for projects in the current budget cycle, since these revenue sources are expected to remain extremely low compared to historical trends until development activity improves.

### General Government & Utility Reserves Targets Summary

Reserves	2011 Beginning Balance	Adopted 2012 Ending Balance	Revised 2012 Ending Balance	2011-12 Target	Revised Over (Under) Target
<b>GENERAL PURPOSE RESERVES WITH TARGETS</b>					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	50,000	50,000	0
General Oper. Reserve (Rainy Day)	2,806,513	2,806,513	2,806,513	4,127,496	(1,320,983)
Revenue Stabilization Reserve	131,431	731,431	731,431	2,279,251	(1,547,820)
Council Special Projects Reserve	201,534	251,534	193,534	250,000	(56,466)
Contingency	2,051,870	2,201,870	2,201,870	4,016,232	(1,814,362)
General Capital Contingency:	4,844,957	4,669,463	4,669,463	6,766,320	(2,096,857)
<b>General Purpose Reserves with Targets</b>	<b>10,086,305</b>	<b>10,710,811</b>	<b>10,652,811</b>	<b>17,489,299</b>	<b>(6,836,488)</b>
<b>ALL OTHER RESERVES WITH TARGETS</b>					
General Fund Reserves:					
Litigation Reserve	70,000	70,000	70,000	50,000	20,000
Firefighter's Pension Reserve	1,595,017	1,734,215	1,734,215	1,568,207	166,008
Health Benefits Fund:					
Claims Reserve	0	1,424,472	1,424,472	1,424,472	0
Rate Stabilization Reserve	0	500,000	500,000	500,000	0
Excise Tax Capital Improvement:					
REET 1	1,530,280	1,019,907	925,373	1,035,000	(109,627)
REET 2	7,121,695	4,975,718	4,792,465	11,484,000	(6,691,535)
Water/Sewer Operating Reserve:	1,979,380	1,979,380	1,939,380	1,979,380	(40,000)
Water/Sewer Debt Service Reserve:	822,274	508,717	508,717	508,717	0
Water/Sewer Capital Contingency:	1,793,630	1,793,630	1,793,630	250,000	1,543,630
Surface Water Operating Reserve:	412,875	412,875	412,875	412,875	0
Surface Water Capital Contingency:	858,400	858,400	858,400	758,400	100,000
<b>Other Reserves with Targets</b>	<b>16,183,551</b>	<b>15,277,314</b>	<b>14,959,527</b>	<b>19,971,051</b>	<b>(5,011,524)</b>
<b>Reserves without Targets</b>	<b>30,665,367</b>	<b>36,312,121</b>	<b>36,084,303</b>	<b>n/a</b>	<b>n/a</b>
<b>Total Reserves</b>	<b>56,935,223</b>	<b>62,300,246</b>	<b>61,696,641</b>	<b>n/a</b>	<b>n/a</b>

*The target comparison reflects revised ending balances to the targets established in the budget process for those reserves with targets.*

*General Purpose reserves are funded from general revenue and may be used for any general government function.*

*All Other Reserves with Targets have restrictions for use either from the funding source or by Council-directed policy (such as the Litigation Reserve).*

*The summary to the right details all Council authorized uses and additions through the third quarter of 2011.*

### USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
<b>2011 Council Authorized Uses</b>		
2011 First Quarter Total Uses	\$248,253	
2011 Second Quarter Total Uses	\$13,000	
Council Special Projects Reserve	\$25,000	Cultural Council Funding
	\$10,000	Eastside Severe Weather Shelter
	\$5,000	Ethics Program Agreement
Development Services Reserve	\$57,000	Planning Development Review Staffing
Tree Ordinance Reserve	\$10,000	Tree Canopy Analysis Grant Match
Revolving Reserve Accounts	\$2,318	Remaining Cultural Council Reserve
Off-Street Parking	\$1,500	Park and Main Lot Striping
REET 1	\$94,534	Parks Operating and Maintenance
REET 2	\$100,000	Street Operating and Maintenance
Street Improvement	\$37,000	Crosswalk Upgrade Program
<b>2011 Council Authorized Additions</b>		

No Authorized City Council additions as of September 30, 2011

*General Fund and Contingency reserves are funded from general purpose revenue and are governed by Council-adopted policies.*

*Note: Fund structure changes required by new accounting standards moved many of the General Purpose reserves out of the Parks & Municipal Reserve Fund (which was closed) and to the General Fund.*

*Special Purpose reserves reflect both restricted and dedicated revenue for specific purpose, as well as general revenue set aside for specific purposes.*

*General Capital Reserves provide the City the ability to respond to unexpected changes in costs and accumulate funds for future projects. It is funded from both general revenue and restricted revenue.*

*Utility reserves are funded from utility rates and provide the utilities with the ability to respond to unexpected costs and accumulate funds for future replacement projects.*

*Internal service funds are funded by charges to operating departments. They provide for the accumulation of funds for replacement of equipment, as well as the ability to respond to unexpected costs.*

Reserves	Description	2011 Beginning Balance	Adopted 2012 Ending Balance	Additional Authorized Uses/Additions	Revised 2012 Ending Balance
<b>GENERAL FUND/CONTINGENCY</b>					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000	0	50,000
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	2,806,513	0	2,806,513
Revenue Stabilization Reserve	Temporary revenue shortfalls	131,431	731,431	0	731,431
Building & Property Reserve	Property-related transactions	1,972,213	1,972,213	0	1,972,213
Council Special Projects Reserve	One-time special projects	201,534	251,534	(58,000)	193,534
Contingency	Unforeseen expenditures	2,051,870	2,201,870	0	2,201,870
<b>Total General Fund/Contingency</b>		<b>7,213,561</b>	<b>8,013,561</b>	<b>(58,000)</b>	<b>7,955,561</b>
<b>SPECIAL PURPOSE RESERVES</b>					
General Fund Reserves:					
Litigation Reserve	Outside counsel costs contingency	70,000	70,000	0	70,000
Labor Relations Reserve	Labor negotiation costs contingency	70,606	70,606	0	70,606
Police Equipment Reserve	Equipment funded from seized property	50,086	50,086	0	50,086
LEOFF 1 Police Reserve	Police long-term care benefits	618,079	618,079	0	618,079
Facilities Expansion Reserve	Special facilities expansions reserve	800,000	800,000	0	800,000
Development Services Reserve	Revenue and staffing stabilization	502,011	652,011	(57,000)	595,011
Tour Dock	Dock repairs	81,745	81,745	0	81,745
Tree Ordinance	Replacement trees program	29,117	29,117	(10,000)	19,117
Donation Accounts	Donations for specific purposes	185,026	185,026	0	185,026
Revolving Accounts	Fee/reimbursement for specific purposes	436,386	436,386	(2,318)	434,068
Lodging Tax Fund	Tourism program and facilities	146,384	123,566	(15,000)	108,566
Cemetery Improvement	Cemetery improvements/debt service	439,415	439,415	0	439,415
Off-Street Parking	Downtown parking improvements	10,776	10,776	(1,500)	9,276
Firefighter's Pension	Long-term care/pension benefits	1,595,017	1,734,215	0	1,734,215
<b>Total Special Purpose Reserves</b>		<b>5,034,648</b>	<b>5,301,028</b>	<b>(85,818)</b>	<b>5,215,210</b>
<b>GENERAL CAPITAL RESERVES</b>					
Excise Tax Capital Improvement:					
REET 1	Parks/transportation/facilities projects, parks debt service	1,530,280	1,019,907	(94,534)	925,373
REET 2	Transportation capital projects	7,121,695	4,975,718	(183,253)	4,792,465
Impact Fees					
Roads	Transportation capacity projects	525,095	1,112,245	0	1,112,245
Parks	Parks capacity projects	2,033	3,038	0	3,038
Street Improvement	Street improvements	1,092,258	1,092,258	(42,000)	1,050,258
General Capital Contingency	Changes to General capital projects	4,844,957	4,669,463	0	4,669,463
<b>Total General Capital Reserves</b>		<b>15,116,318</b>	<b>12,872,629</b>	<b>(319,787)</b>	<b>12,552,842</b>
<b>UTILITY RESERVES</b>					
Water/Sewer Utility:					
Water/Sewer Operating Reserve	Operating contingency	1,979,380	1,979,380	(40,000)	1,939,380
Water/Sewer Debt Service Reserve	Debt service reserve	822,274	508,717	0	508,717
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,793,630	1,793,630	0	1,793,630
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	7,870,665	9,871,542	(100,000)	9,771,542
Surface Water Utility:					
Surface Water Operating Reserve	Operating contingency	412,875	412,875	0	412,875
Surface Water Capital Contingency	Changes to Surface Water capital projects	858,400	858,400	0	858,400
Surface Water-Transp. Related Rsv	Replacement/re-prioritized/new projects	2,483,250	3,666,250	0	3,666,250
Surface Water Construction Reserve	Trans. related surface water projects	2,848,125	3,376,431	0	3,376,431
<b>Total Utility Reserves</b>		<b>19,068,599</b>	<b>22,467,225</b>	<b>(140,000)</b>	<b>22,327,225</b>
<b>INTERNAL SERVICE FUND RESERVES</b>					
Health Benefits:					
Claims Reserve	Health benefits self insurance claims	0	1,424,472	0	1,424,472
Rate Stabilization Reserve	Rate stabilization	0	500,000	0	500,000
Equipment Rental:					
Vehicle Reserve	Vehicle replacements	7,718,221	8,047,063	0	8,047,063
Radio Reserve	Radio replacements	0	0	0	0
Information Technology:					
PC Replacement Reserve	PC equipment replacements	258,311	318,646	0	318,646
Technology Initiative Reserve	Technology projects	690,207	690,207	0	690,207
Major Systems Replacement Reserve	Major technology systems replacement	245,500	84,900	0	84,900
Facilities Maintenance:					
Operating Reserve	Unforeseen operating costs	550,000	550,000	0	550,000
Facilities Sinking Fund	20-year facility life cycle costs	1,039,858	2,030,515	0	2,030,515
<b>Total Internal Service Fund Reserves</b>		<b>10,502,097</b>	<b>11,721,331</b>	<b>0</b>	<b>11,721,331</b>
<b>Grand Total</b>		<b>56,935,223</b>	<b>62,300,246</b>	<b>(603,605)</b>	<b>61,696,641</b>



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The Financial Management Report (FMR) is a high-level status report on the City's financial condition that is produced quarterly.

- It provides a **summary budget to actual comparison** for year-to-date revenues and expenditures for all operating funds.
- The **Sales Tax Revenue Analysis** report takes a closer look at one of the City's larger and most economically sensitive revenue sources.
- **Economic environment** information provides a brief outlook at the key economic indicators for the Eastside and Kirkland such as office vacancies, residential housing prices/sales, development activity, inflation and unemployment.
- The **Investment Summary** report includes a brief market overview, a snapshot of the City's investment portfolio, and the City's year-to-date investment performance.
- The **Reserve Summary** report highlights the uses of and additions to the City's reserves in the current year as well as the projected ending reserve balance relative to each reserve's target amount.

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- Economic & Revenue Update—Washington State Economic & Revenue Forecast Council
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- Washington State Employment Security Department
- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance & Administration Department